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SPEECH OF THE HON. THEODORE P. SHONTS
CHAIRMAN OF THE ISTHMIAN CANAL COMMISSION
BEFORE THE COMMERCIAL CLUB
CINCINNATI, OHIO
ON THE EVENING OF JANUARY 20, 1906



WASHINGTON
GOVERNMENT PRINTING OFFICE
1906

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country of the services of such a man in its government can not be overestimated. When the canal shall have been completed—as completed it surely will be—no small share of the credit for the great achievement will be due to his wise counsel, inspiriting cooperation, and unflagging faith in the ability of the American people to solve any problem with which they are confronted.

I am here to-night to talk, as I have said, not of an experiment, but of an assured success. We are not merely going to build the Panama Canal—we are building it. Preparation is a part, and a most important part, of the work of construction. When that shall have been fully and thoroughly accomplished, a great step forward will have been taken. You can not erect a house until you have laid the foundation. You can not run a railway until you have laid the tracks. You can not build a chimney by placing the top bricks first. These are trite truisms, but there seem to be people in this country to whom they are novelties. We are approaching the end of the preliminary work. We have made the Isthmus a healthful place in which to work. We are getting the line of the canal into a condition which will enable us to operate an excavating plant to the best advantage, and we are assembling the plant with which the work is to be done. When you bear in mind that we have been engaged in this preparatory task barely six months,

that we have been compelled to carry it forward in a tropical country, mainly a wilderness, not accessible by railway, but 2,000 miles at sea and 2,000 miles from the base of supply, and that most of the material entering into the work had to be manufactured to order before it could be shipped to the scene of action, I think you will admit that the amount of time consumed has not been unreasonable.

I shall not burden you with details of the preparatory work. These were set forth by me in a speech before the American Hardware Manufacturers' Association, a few weeks ago, and are to be found in the recent report of the Commission to Congress. Briefly summed up, they have resulted, first, in converting the Isthmus from a hotbed of disease into as healthful a place for work of the kind in hand as could be found in any tropical country—with reasonable care a man can go there to live now with no more serious menace to his health than he would encounter in frontier work in our own country; second, the workers of all grades are provided with suitable and sanitary quarters, wholesome food in abundance and at reasonable prices, and pure water; third, an antiquated, inadequate, and poorly manned railway system has been improved and reorganized on modern lines, and provided with up-to-date equipment of locomotives and cars; fourth, new wharves equipped with modern mechanical appliances, commodious terminal yards at both ends of the rail-

way, extensive warehouses, suitable machine shops, and a modern coal-hoisting plant are rapidly approaching completion; fifth, more than \$9,000,000 has been expended in the purchase of supplies and material, largely for an operating plant in the actual work of excavation, and the bulk of this investment is already on the Isthmus.

This vast quantity of supplies has been purchased almost exclusively in the United States. In accordance with our policy of buying in the cheapest markets, we have bought chiefly in the United States because its markets, in the main, are the cheapest in the world for the products that we need in this work. The American laborer is the highest priced in the world, but we can buy the results of his work more cheaply here than abroad, because of his superior skill and because of the intelligent interest which he as an American citizen takes in his work. In other words, he puts more brains into the product of his hands, because he is a citizen of a free country and his mind has been enlarged and his ambition stimulated by active participation in the duties of citizenship.

While buying our supplies in the United States we have seen to it that the entire country should be admitted on equal terms to the competition for furnishing them. Our theory is that since the American people are to defray the cost of building the canal the whole American people should be treated alike in the

opportunity to derive legitimate industrial and commercial profit from the outlay for construction. One of the first acts of the present Commission after taking office was the adoption of a policy designed to place all manufacturers and producers in all parts of the country on equal terms in regard to shipment of goods to the Isthmus. The chief features of this policy were:

(1) We threw open all terminal facilities on the Isthmus to all steamship lines on equal terms. Prior to this time the Panama Railroad, being a private and not a government corporation, had endeavored to force the shipment of all canal supplies by way of New York. The management of the railroad required that steamship lines from Gulf ports should charge the same rates from their ports to Colon as were charged by the railroad's steamship line from New York to Colon, under penalty of being deprived of the railroad's dock facilities at its terminals. The result of this was to give great advantage to the port having the shortest rail line from point of production. As New York was much nearer the centers of production than Gulf or Pacific coast ports, it secured the bulk of the business. When the Government assumed control, by purchase, of the Panama Railroad, one of the Commission's first acts was to notify all steamship lines that they could have the use of the railroad's terminal facilities on the Isthmus on the same terms as the steamships of the railroad com-

pany, without regard to any rates they might make from their ports of departure.

(2) We required all bids for supplies to be made c. i. f. the Isthmus—that is, all bids to include cost of delivery on the Isthmus.

(3) In order to prevent any charge of discrimination in rates, as between New York and the Gulf and Pacific coast ports, we separated the Panama Railroad Steamship Line from the Panama Railroad and threw open the use of that steamship line to all railway connections at New York on agreed percentage divisions. We gave our direct-rail connections at New York, as well as all others, the privilege to make rates from all producing territory clear through to Colon. Under this policy the manufacturer situated on the line of a railroad leading to New York has no advantage whatever over the one situated on lines of railway running to Gulf ports. Each can arrange for his own rates straight through to Colon. We went a step further and adopted the policy of charging the Government on the Commission's shipments from New York exactly the same rates that are paid by any other shippers from that port locally. Our object in these various acts was to protect the United States Government from any charge of favoritism to any section of the country or to any port.

If we had made low rates from New York on our own materials it would have been charged that these were less

than private capital could afford to grant, and that therefore the Government should install similar service from the South Atlantic and Gulf ports. We should also have been charged with rebating to ourselves as against other shippers, thus violating the law. What we did was to put the Government on a parity with every other shipper, and all sections of the country on exactly the same footing. If by reason of these policies competition among the railways in different sections of the country shall result in rates below a profitable basis the Government will be the gainer, because it will get the benefit of a reduced cost in the price of its material delivered on the Isthmus. In no case can the Government be a party to any kind of discrimination.

You, gentlemen, being situated about equally distant from the Gulf and the seaport, are especially favored under this policy. You will get the benefit of the competition of the railways leading through both gateways, and should be able to secure very reasonable rates of transportation on any goods you may produce and desire to sell which enter into the construction of the canal.

I come now to a branch of this subject to which I have referred in my address before the Manufacturers' Association, and also in the Commission's report to Congress, and I bring it up again because there is nothing connected with the construction of the canal

that surpasses it in importance in its bearing on results. I refer to the labor question.

The character of labor employed on the Isthmus has more to do with the time it will take to build the canal—more to do with the cost of construction—than any other determining factor.

There is no insuperable difficulty in the way of the construction of the canal from an engineering point of view and with any ordinary class of labor. The serious problem is to get what will be considered in this country anything like an ordinary class of labor. In examining this question we have studied and discussed the merits of labor of nearly all nationalities available for the purpose. The chief difficulty with which we have to contend in the employment of oriental labor lies in the laws which hedge about its use. In order to comply with the letter and spirit of these laws, the best that we can do is to let out the work by contract, advertise and secure the lowest bidder, who will be nothing more or less than an agent. He will secure the labor, deposit the money required by the government of the country from which the laborer comes for the sustenance necessary to the support of his family while he is away, and advance the money for the necessary transportation. All this is to be included in the cost of the labor delivered on the Isthmus, in addition to the agent's remuneration, making it very high priced. The Government must pro-

tect itself against the charge of forcing involuntary servitude, and hence it can adopt no safeguards which will prevent the labor from leaving the Isthmus the day after arrival, thus losing the money necessary to get it there, with no return whatever. The result of this is practically to make Oriental labor prohibitive in the construction of the canal.

Experiment with Italian laborers, while not made on a large scale, has not been satisfactory, for the reason that they do not seem possessed of great vitality, and succumb quickly to tropical fevers.

The West Indian negro that we are using has but little life and ambition in him. We are practically trying to wield an inert mass, with the result that we are not getting over 25 per cent, or, from a most liberal point of view, $33\frac{1}{3}$ per cent of the efficiency of the most ordinary labor in the United States. We are now arranging to experiment with 1,000 laborers from the north of Spain. This class of labor was used to great advantage by Sir William Van Horn in the construction of his 350 miles of railroad in Cuba. While not tall, they are of muscular build, docile in temperament, and willing and industrious workers, with enough ambition to want to become subforemen and foremen in their work. In other words, besides being laborers they have a spark of ambition which makes it possible to develop them into something better than brute

force. These men have the further advantage of being white, and of speaking the language which most of our foremen either know or rapidly acquire after reaching the Isthmus.

So far as the labor in the United States is concerned, we might as well recognize the facts. The best quality of this labor is regularly employed, because of the great industrial activity here. This confines our selection to those employed only as extra men and those seeking employment, who of course will not grade as high as those regularly employed. In order to get these men in some branches of trade, it is necessary to pay larger wages than are paid in this country, for they would rather have extra work, with a chance of regular employment here, than leave their own country.

Before closing my remarks in regard to the importance of labor in this enterprise, I wish to repeat and to emphasize the opinion I have expressed on former occasions in regard to the application of the eight-hour law. The present wage varies from 80 cents to \$1.04 per day in gold. As compared with the best common labor in the United States, its efficiency is rated at from 25 to 33 per cent. Over 80 per cent of the employees of the canal are now and will continue to be alien laborers. A majority of the other 20 per cent employed will be in a clerical, a supervisory, or in some other capacity to which the various labor laws

of the United States are not applicable. It is to this kind of labor we are compelled to apply the eight-hour law—that is, to aliens who know nothing of the law's existence until they arrive on the Isthmus.

Such application will increase the labor cost of canal construction at least 25 per cent. You can readily see why this will be the case. We pay our laborers by the hour. If we can employ them for only eight hours a day we can give them work for only forty-eight hours a week. If we can employ them for ten hours a day we can give them sixty hours a week. They will accept a smaller hourly wage for sixty hours a week than they will for forty-eight hours. As a matter of fact, the skilled laborers prefer a ten-hour day, and many of them have asked for it, desiring to get the extra two hours' pay. When they work overtime on the eight-hour plan they expect to get time and a half.

It is obvious that by forcing the eight-hour day upon us, millions of dollars will be added to the cost of construction. American labor in this country will have to pay its share in the consequent increase of taxation, and for no appreciable benefit, for, as I have shown you, there are only a very few American laborers on the Isthmus. There is no question of American labor involved in Isthmus work, and I repeat what the Commission has urged in its annual report, that it is a mistake to handicap the construction of the Panama Canal

with any laws save those of police and sanitation, and that labor on the Isthmus should be excluded from the application of the eight-hour law, the contract-labor law, the Chinese exclusion act, and any other law passed or to be passed by Congress for the benefit of American labor at home.

As I said at the beginning of these remarks, our preparatory work is nearing completion. It has, in fact, advanced as far as we can carry it safely until we know definitely the type of canal we are to construct, whether it is to be sea level or high level. It is of the utmost importance, therefore, that decision as to this type be reached at the earliest possible moment. I had hoped when I accepted your invitation that before the time to address you should arrive the Advisory Board would have made its report, and I should be at liberty to speak freely about it, and to discuss both the details of the plan decided upon and the methods to be employed in its execution. The members of the Board consumed much more time in their deliberations than they had anticipated, and as the two reports which they have decided to make are not yet before the Commission, it would be obviously improper for me to enter upon the subject now.

I am glad to say, however, that whatever may be the type decided upon it will take us but a short time to complete the arrangements for beginning at once to

carry its details into execution on a comprehensive scale. We shall divide the work into sections and prepare specifications asking for bids for contracts for such portions of the work as we think can be done advantageously in that way. We are strongly in favor of doing the work by contract if the type of canal and the prices bid will permit. One of the chief benefits we have derived from the preparatory work is the accumulation of knowledge as to the nature of material to be handled and the cost of handling it, which will enable us to judge whether or not such bids as we may receive will make it desirable to have the work done by contract.

Gentlemen, we are treating this task as a great business enterprise and are seeking to accomplish it by the application of strict business methods, paying no heed to politics or political "pulls." Our sole aim and purpose is to give the American people the full worth of every dollar they put into the work, and to hand over the work completed to them at the earliest possible day. So long as we continue in control of the job it will be managed on these principles and on these alone. When it becomes apparent that we will not be permitted to build the canal in that way we will step aside and let somebody else take it in hand. In a recent message to Congress, President Roosevelt, who is the supreme director of the work, every step of which has

been taken with his personal knowledge and with his approval, said:

All our citizens have a right to congratulate themselves upon the high standard of efficiency and integrity which has been hitherto maintained by the representatives of the Government in doing this great work. If this high standard of efficiency and integrity can be maintained in the future at the same level which it has now reached, the construction of the Panama Canal will be one of the features to which the people of this Republic will look back with the highest pride.

The members of the Commission and those associated with them in the task ask no higher approval than that, neither do they think that any other is necessary to carry conviction to the minds of the American people. In the same message the President also said:

From time to time various publications have been made, and from time to time in the future various similar publications doubtless will be made, purporting to give an account of jobbery, or immorality, or inefficiency, or misery, as obtaining on the Isthmus. I have carefully examined into each of these accusations which seemed worthy of attention. In every instance the accusations have proved to be without foundation in any shape or form. They spring from several sources. Sometimes they take the shape of statements by irresponsible investigators of a sensational habit of mind, incapable of observing or repeating with accuracy what they see, and desirous of obtaining notoriety by widespread slander. More often they originate with, or are given currency by, individuals with a personal grievance. The sensation mongers, both those who stay at

home and those who visit the Isthmus, may ground their accusations on false statements by some engineer, who, having applied for service on the Commission and been refused such service, now endeavors to discredit his successful competitors; or by some lessee or owner of real estate who has sought action, or inaction, by the Commission to increase the value of his lots, and is bitter because the Commission can not be used for such purposes; or on the tales of disappointed bidders for contracts; or of officeholders who have proved incompetent or who have been suspected of corruption and dismissed, or who have been overcome by panic and have fled from the Isthmus.

Every specific charge relating to jobbery, to immorality, or to inefficiency, from whatever source it has come, has been immediately investigated, and in no single instance have the statements of these sensation mongers and the interested complainants behind them proved true. The only discredit inhering in these false accusations is to those who originate and give them currency, and who, to the extent of their abilities, thereby hamper and obstruct the completion of the great work in which both the honor and the interest of America are so deeply involved. It matters not whether those guilty of these false accusations utter them in mere wanton recklessness or folly or in spirit of sinister malice to gratify some personal or political grudge.

Thus speaks the President.

A notable specimen of this scandal-mongering literature was laid before the country a few days ago from the pen of a man who had spent twenty-eight hours and ten minutes on the Isthmus. The ten minutes are important, for a person of such extraordinary powers of observation and production can collect an enormous

amount of material in that time. He landed at Colon on November 30 at 10 a. m. and sailed away on the same steamer from Colon at 2.10 p. m. on December 1. In those twenty-eight hours and ten minutes he accumulated a fund of exact knowledge sufficient to enable him to draw a general and sweeping indictment of the President, Secretary Taft, the Canal Commission, Governor Magoon, Chief Engineer Stevens, Colonel Gorgas, and everything that has been done on the Isthmus since the American Government came into possession of the Canal Zone.

He has been not merely answered but annihilated by Secretary Taft and Mr. Stevens, and I shall waste no time with him. One point only will I mention as an illustration of his miraculous powers of observation. He said that during a recent rain the volume of water was so great in the sewers of Panama that it "backed the sewage up into cellars and ruined many houses." There is not a cellar in Panama and never has been.

A few days after this masterpiece of mendacity appeared in print I took up the Washington Post, a newspaper which is not open to the charge of extreme partisan support of the Canal Commission, and read therein the following interesting statement:

Mr. John N. Popham, a former Virginian, who has many friends in Washington, was seen yesterday at the Shoreham. For the past sixteen years Mr. Popham has been engaged in railway building and mining manganese on the Isthmus of Panama and in

Costa Rica. He was for five years special agent of the United States Treasury on the Isthmus, and no man is better qualified to speak of the conditions existing in that country. In conversation with a Post reporter Mr. Popham said:

“Prior to last May the conditions on the Isthmus may have been open to just and intelligent criticism, caused by the delay in improving the physical condition of the Panama Railroad, purchase of necessary rolling stock, and improving the terminal facilities. But those conditions are forgotten history. The fair-minded residents of the Isthmus appreciate the magnificent efforts and splendid results accomplished since that time.

“The statement made by Mr. Poultney Bigelow is so far from being fair, the views so distorted, and the inference so frail, that it is only laughed at on the Isthmus, and it was so fully covered at home by that part of the President’s communication to Congress the 8th instant, under the heading of “Scandal mongers,” that there is but little left for a self-respecting American resident of the Isthmus to add. The people of Panama are intelligent, capable people. They appreciate the results accomplished; they have been and are anxious and willing to continue to help our people in the great enterprise that means so much to the whole world.

“After sixteen years’ experience on and in the vicinity of the Isthmus, and knowing, as I do, the homes of the West India laborer in the great banana-producing districts near Colon, Bocas del Toro, and Port Limon, and having for many years employed from 400 to 700 Jamaicans daily at our mines, 35 miles from Colon, I feel competent to judge and to tell you that the West India laborer has never known, and in his most pleasant dreams has never hoped for, the splendid care and liberal treatment he is receiving from our Government on the Isthmus of Panama.

“My knowledge of the affairs of the Canal Company only

enables me to speak of conditions on the Isthmus and the work in progress there. But in every department of the canal work during the past seven months on the Isthmus the people of this country can rest assured that the investigation to be made by the Senate committee will confirm the following lines found in the President's communication to Congress: 'The work on the Isthmus is being admirably done, and great progress has been made.' "

That, gentlemen, is the testimony, voluntarily offered, of a man who can truthfully be called an expert. He has not merely made a twenty-eight-hour visit to the Isthmus, but has lived there or in its vicinity for sixteen years. He is a man of unquestioned character, who has represented his government honorably there as its financial agent, and who has had practical experience in railway building and mining. The testimony of such a man should be final against the inventions and slanders not only of one, but of any number of scandal-mongers.

Speaking for the members of the Commission as well as for myself, I wish to say with all possible emphasis that we not only invite investigation of our acts but ask for it as a right. If we are doing our work honestly and efficiently, our hands should be upheld; if it is shown that we are doing it inefficiently, we should be removed; and if we are doing it dishonestly, we should be exposed, convicted, and sent to prison. Neither knaves nor incompetents should be permitted to have charge of a task of such magnitude. But

while we court the fullest investigation, we earnestly ask that it be absolutely nonpartisan, that it be made by persons of character and standing, either in public or private life, whose recognized intelligence and fair-mindedness are such as to command public confidence, and that it be made upon the ground.

We ask further that the investigation be made promptly and ended as soon as it can be and have its work done thoroughly. This is absolutely necessary if we are to maintain any degree of efficiency in the organization. The feeling of uncertainty and unrest which constant agitation about the Commission and its work creates is destructive of that interest in the work which is essential if the best results are to be secured. It is impossible to retain good men in the service under such conditions.

We protest in the name of American fair play against the dissemination in the United States of libels and slanders upon the efficiency and character of faithful workers on the Isthmus who, by reason of their absence from their own country, can not defend themselves from such assaults. Many of them went to the Isthmus before it was made a healthful place in which to work, and in doing so faced death from disease as the soldier faces it from the bullet on the field of battle. They saw many of their comrades die from disease, but they themselves either escaped it entirely or recovered from its attack. A more loyal, faithful,

efficient body of men than these servants of the United States on the Isthmus is not to be found anywhere on earth. Their devotion to the interests of their country entitles them to the gratitude of their fellow-citizens, and should protect them from the cowardly attacks of that most despicable of all assailants, the man who stabs in the back.

Gentlemen, I believe in the canal; believe that it can be built in a reasonable time and believe that when, through American generosity and under American control, it shall be thrown open to the commerce of the world it will be hailed, and will prove to be, a priceless boon to all mankind. It will justify the faith of the American people in its wisdom and world-wide beneficence, and will justify also the expenditure of millions of American money for its construction. When it shall be opened for traffic the position of this nation in relation to the trade and commerce of the world will be a most favorable one.

We shall have a virtually continuous coast line from the northeastern extremity of Maine to the western extremity of Alaska, open alike to the ships of the Atlantic and the Pacific, and giving to both the opportunity to trade directly with each other. San Francisco will be within 14 days of New York by steamers making 16 knots an hour instead of 60 days, and within 21 days of any English port, instead of 35.

The west coast of South America will be 3,000 miles nearer to our ports than to those of Europe, opening to our products an entirely new field of commerce which has in it great possibilities.] These are the broad, general facts in the case, and I need not explain to you that they have in them opportunities that are of incalculable value. They open to the United States new markets for its products, new opportunities for that enlargement of foreign trade which our rapidly growing production is demanding year by year.

In this enlargement of industrial and commercial activity the whole nation will share. All railway lines, including the trans-continental, will be benefited by the increased traffic which will surely follow. New steamship lines will be opened to accommodate the new trade between the two Americas, and the expanded trade with Australia and the Orient. The world's traffic will be changed to new currents, and in the change all the nations of the earth will profit.

The population of the world one hundred years ago was estimated at 800,000,000; to-day it is estimated at 1,600,000,000. In other words, the growth of the world's population during the past century has been equal to its accumulated growth during the previous ten thousand years. If this ratio of increase shall be continuous, the new population of the globe will find its home, not in the densely populated districts of

Europe, but in the sparsely settled countries of North and South America. The development of these countries and of their trade with the Orient, as well as with Europe, will all pay tribute to the Panama Canal, for it will be in the heart of this new growth and the pathway of its commerce.

But great and world-wide as will be the material benefits of the canal, the moral and political effects will be no less remarkable and no less salutary. In the United States the inevitable effect will be to develop a stonger and deeper sentiment of national unity than this country has ever known. New and larger trade relations will join the Atlantic seaboard and the Pacific coast more closely than even the transcontinental railways have accomplished, and will tend to unify in interest and sentiment all the Americas.

With the canal open there will be no Atlantic and no Pacific fleet, either in the Navy or in the merchant marine, but an American fleet. As an object lesson in the need of an Isthmian waterway, the trip of the *Oregon* in the spring of 1898 from San Francisco to the coast of Florida was the most convincing argument ever adduced. With her powerful machinery working to its utmost limit and everything in her favor, including a commander of the first rank, ⁶⁸~~80~~ days were consumed in the voyage. With the canal open she could have made the trip in ten or twelve days and without need of special haste. Instead of two navies, we shall have a double navy ready for

all emergencies. The ability to assemble our warships quickly will act as a powerful influence in the direction of peace, for it will operate constantly as a preventive of war. The high position as a world power to which this nation, under the guidance of McKinley and Roosevelt and Hay, has advanced during the past few years will thus be strengthened and enlarged, and American influence upon the civilization of the world and upon the welfare of the human race will be immeasurably extended.



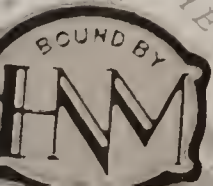
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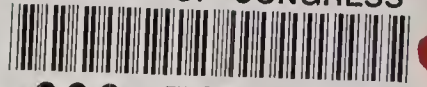




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